

**REPORT OF THE AUDIT OF THE
JESSAMINE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2007**

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APPENDIX A:

CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable William N. Cassity, Jessamine County Judge/Executive

Members of the Jessamine County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated August 7, 2008 on our consideration of Jessamine County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

Mountjoy & Bressler, LLP.

Mountjoy & Bressler, LLP

August 7, 2008

JESSAMINE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

The financial management of Jessamine County, Kentucky offers readers of Jessamine County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with other information that we have furnished.

Financial Highlights

- Jessamine County had net assets of \$55,070,567 as of June 30, 2007 in its governmental activities. The fiscal court had unrestricted net assets of \$6,939,927 in its governmental funds as of June 30, 2007. Total debt principal as of June 30, 2007 was \$1,108,870 with \$134,870 due within one year.
- The government's total net assets in its governmental activities increased by \$975,754 from the prior year. This increase is primarily due to construction and renovation of new and existing properties.
- At the close of the current fiscal year, the Jessamine County balance sheet reported a total fund balance of \$7,014,452. Of this amount, \$37,737 is reserved for encumbrances.
- Jessamine County's total indebtedness at the close of fiscal year June 30, 2007 was \$1,108,870, of which \$974,000 is long term debt (due after 1 year) and \$134,870 is short term debt (to be paid within 1 year). There were no long term debt additions and debt reductions were \$329,790. Jessamine County made the final payment of \$200,000 for the Preece property, which will be used for soccer fields.
- In addition, Jessamine County completed the Keene Lodge with final costs of \$2,488, and finished the new EMS station in Wilmore for \$125,448. Jessamine County also continued work on the new office building on Main Street that will house the County Attorney and Administrative Office of the Courts offices with construction costs of \$519,101. A new facade for the Planning & Zoning office was a much needed upgrade at a cost of \$2,787. A \$20,000 grant made the start of \$8,911 in repairs possible for the Animal Shelter. The Detention Center received heating & a/c repairs for \$62,971, and the courthouse improvements included doors, gutters, sidewalks, and painting for \$193,163. A portion of the courthouse repairs were reimbursed by AOC. All of these projects were furthered without incurring additional debt.
- During the 2006-2007 fiscal year, Jessamine County secured two federal grants. The first grant of \$50,000 for trails at Camp Nelson, and the second one was reimbursement for Keene Lodge for \$256,194. We also were fortunate enough to receive state grant money for our Main Street Government building. House Bill 380 provided \$300,000 for the restoration of the buildings, \$10,000 in funding for the roof replacement, and \$90,000 for the purchase of a portion of the property.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Jessamine County's basic financial statements. The County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

JESSAMINE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

Government-wide Financial Statements. (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Jessamine County maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Jail Fund, Local Government Economic Assistance Fund (L.G.E.A.), KACO Annex Fund and Emergency Services Fund.

Jessamine County adopts an annual appropriated budget for its major governmental funds.

Government-wide Financial Analysis.

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

	Governmental Activities		Business-type Activities		Total	
	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007
Assets						
Current and other	\$ 6,611,111	\$ 7,014,452	\$ 99,714	\$ 90,536	\$ 6,710,825	\$ 7,104,988
Capital	48,922,362	49,164,985	15,125	12,771	48,937,487	49,177,756
Total Assets	<u>55,533,473</u>	<u>56,179,437</u>	<u>114,839</u>	<u>103,307</u>	<u>55,648,312</u>	<u>56,282,744</u>
Liabilities						
Current (Due within one year)	329,790	195,597			329,790	195,597
Long-term	<u>1,108,870</u>	<u>913,273</u>			<u>1,108,870</u>	<u>913,273</u>
	<u>1,438,660</u>	<u>1,108,870</u>			<u>1,438,660</u>	<u>1,108,870</u>
Net						
Invested in capital assets,						
Net of related debt	47,483,702	48,056,115	15,125	12,771	47,498,827	48,068,886
Restricted	70,480	74,525			70,480	74,525
Unrestricted	<u>6,540,631</u>	<u>6,939,927</u>	<u>99,714</u>	<u>90,536</u>	<u>6,640,345</u>	<u>7,030,463</u>
Total Net Assets	<u>\$54,094,813</u>	<u>\$55,070,567</u>	<u>\$ 114,839</u>	<u>\$ 103,307</u>	<u>\$54,209,652</u>	<u>\$55,173,874</u>

JESSAMINE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

Financial Analysis of the County's Funds. (Continued)

useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 30, 2007 fiscal year, the combined ending fund balance of County governmental funds was \$7,014,452.

The County has six major governmental funds. These are 1) General Fund; 2) Road Fund; 3) Jail Fund; 4) Local Government Economic Assistance Fund (L.G.E.A) 5) Emergency Services Fund 6) KACO Annex Fund.

1. The General Fund is the chief operating fund of Jessamine County. At the end of the June 30, 2007 fiscal year, unreserved fund balance of the General Fund was \$6,555,383. The county received \$4,461,169 in Occupational tax revenues. This accounts for approximately 38% of the general fund revenue. \$1,781,298 was received from real and personal property taxes and accounts for approximately 15% of the county's general fund revenues. Various other taxes and service fees make up the remaining 47% of revenues.
2. The Road Fund is the fund related to county road and bridge construction and maintenance. The Road Fund had \$119,841 in fund balance at June 30, 2007. The fiscal year 2007 expenditures for road projects were \$1,262,966. The Road Fund also had to finish several roads using bond money turned over by incomplete developments.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance at June 30, 2007 of \$54,328. That is a decrease in fund balance of \$8,530 from the previous fiscal year end. The Jail Fund received \$780,439 for services, primarily for jail allotment. The General Fund contributed \$1,033,560 to the jail operations.
4. The Local Government Economic Assistance Fund (L.G.E.A.) had a fund balance of \$159,323, a decrease of \$49,181 under the previous fiscal year end. The L.G.E.A Fund purchased several pieces of equipment for the Road Fund at a cost of \$80,603. Also a payment was made to the YMCA for their new recreational project. This payment will be made for the next eight years.
5. The Emergency Services Fund accounts for the operation of the county's 911 and ambulance service with revenue derived from a county payroll tax. The year end balance of the EMS Fund was a \$59,744, decreasing by \$46,449 from the previous year's total of \$106,193. A new ambulance was purchased at a cost of \$98,801. We also bought another rescue vehicle for an additional \$25,093 without incurring additional debt.
6. The KACO Annex Fund functions as a debt service fund that accounts for receipts from the Administrative Office of the Courts used to offset the County's required payments on its debt related to the Courthouse Annex. The year end balance of the KACO Annex Fund was \$36,788.

General Fund Budgetary Highlights.

The County's original budget was amended during the fiscal year in order to receive a \$50,000 Small Enterprises Grant. Also, amendments had to be made to the Road Fund for unexpected income from bonds for incomplete roads.

JESSAMINE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

JESSAMINE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2007

JESSAMINE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (2,100,417)	\$	\$ (2,100,417)
(1,790,211)		(1,790,211)
(505,653)		(505,653)
416,560		416,560
(357,591)		(357,591)
(783,664)		(783,664)
(1,428,269)		(1,428,269)
(2,891,465)		(2,891,465)
(67,859)		(67,859)
(30,000)		(30,000)
<u>\$ (9,538,569)</u>	<u>\$</u>	<u>\$ (9,538,569)</u>
	(14,786)	(14,786)
	(14,786)	(14,786)
<u>(9,538,569)</u>	<u>(14,786)</u>	<u>(9,553,355)</u>
1,565,201		1,565,201
216,097		216,097
312,870		312,870
4,461,169		4,461,169
994,207		994,207
274,103		274,103
30,623		30,623
487,248		487,248
1,006,699		1,006,699
253,341		253,341
295,736		295,736
293,534	3,254	296,788
323,495		323,495
<u>10,514,323</u>	<u>3,254</u>	<u>10,517,577</u>
975,754	(11,532)	964,222
54,094,813	114,839	54,209,652
<u>\$ 55,070,567</u>	<u>\$ 103,307</u>	<u>\$ 55,173,874</u>

The accompanying notes are an integral part of the financial statements.

JESSAMINE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund	Emergency Services Fund
ASSETS					
Cash and Cash Equivalents	\$ 6,584,428	\$ 119,841	\$ 54,328	\$ 159,323	\$ 59,744
Total Assets	<u>\$ 6,584,428</u>	<u>\$ 119,841</u>	<u>\$ 54,328</u>	<u>\$ 159,323</u>	<u>\$ 59,744</u>
FUND BALANCES					
Reserved for:					
Encumbrances	\$ 29,045	\$ 4,010	\$ 915	\$	\$ 3,767
Unreserved:					
General Fund	6,555,383				
Special Revenue Fund		115,831	53,413	159,323	55,977
Debt Service Fund					
Total Fund Balances	<u>\$ 6,584,428</u>	<u>\$ 119,841</u>	<u>\$ 54,328</u>	<u>\$ 159,323</u>	<u>\$ 59,744</u>

The accompanying notes are an integral part of the financial statements.

JESSAMINE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

JESSAMINE COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

Emergency Services Fund	KACO Annex Fund	Total Governmental Funds
\$ 274,103	\$	\$ 8,341,518
		1,006,699
		253,341
127,089	112,600	3,654,573
1,094,440		1,346,717
4,381		604,719
2,336	2,761	293,534
<u>1,502,349</u>	<u>115,361</u>	<u>15,501,101</u>
		3,524,545
2,178,711		4,067,810
		669,089
		80,295
		865,069
		1,343,569
52,068	110,621	197,649
		30,000
		1,428,269
<u>432,741</u>	<u>140</u>	<u>2,891,465</u>
<u>2,663,520</u>	<u>110,761</u>	<u>15,097,760</u>
<u>(1,161,171)</u>	<u>4,600</u>	<u>403,341</u>
1,114,722		2,358,282
		<u>(2,358,282)</u>
<u>1,114,722</u>		
(46,449)	4,600	403,341
106,193	32,188	6,611,111
<u>\$ 59,744</u>	<u>\$ 36,788</u>	<u>\$ 7,014,452</u>

The accompanying notes are an integral part of the financial statements.

JESSAMINE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$	403,341
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Governmental Funds Report Capital Outlays As Expenditures. However, In The Statement of Activities The Cost Of Those Assets Are Allocated Over Their Estimated Useful Lives And Reported As Depreciation Expense.

Capital Outlay		2,243,627
Depreciation Expense	(1,958,317)	
Disposal of Assets, net of accumulated depreciation	(42,687)	

Debt Proceeds Are Current Financial Resources To Governmental Funds

While Lease And Bond Principal Payments Are Expensed In The Governmental Funds As A Use Of Current Financial Resources. These Transactions, However, Have No Effect On Net Assets.

Financing Obligations		329,790
Change In Net Assets Of Governmental Activities	\$	<u>975,754</u>

JESSAMINE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2007

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 90,536
Total Current Assets	<u>90,536</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	24,542
Less Accumulated Depreciation	<u>(11,771)</u>
Total Noncurrent Assets	<u>12,771</u>
Total Assets	<u>\$ 103,307</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	12,771
Unrestricted	<u>90,536</u>
Total Net Assets	<u><u>\$ 103,307</u></u>

The accompanying notes are an integral part of the financial statements.

JESSAMINE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS-
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	Enterprise Fund
	<hr/>
	Jail Canteen Fund
	<hr/>
Operating Revenues	
Canteen Receipts	\$ 247,633
Total Operating Revenues	<hr/> 247,633 <hr/>
Operating Expenses	
Cost of Sales	151,323
Educational and Recreational	21,328
Medical Expense	15,125
Depreciation	2,354
Miscellaneous	51,952
Total Operating Expenses	<hr/> 242,082 <hr/>
Operating Income	<hr/> 5,551 <hr/>
Nonoperating Revenues (Expenses)	
Interest Income	3,254
Inmate Refunds	<hr/> (20,337) <hr/>
Total Nonoperating Revenues (Expenses)	<hr/> (17,083) <hr/>
Change In Net Assets	(11,532)
Total Net Assets - Beginning	<hr/> 114,839 <hr/>
Total Net Assets - Ending	<hr/> \$ 103,307 <hr/>

The accompanying notes are an integral part of the financial statements.

JESSAMINE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities	
Receipts From Customers	\$ 247,633
Payments For Goods & Services	(151,323)
Other Operating Expenses	<u>(88,405)</u>
Net Cash Provided By Operating Activities	<u>7,905</u>
Cash Flows From Noncapital Financing Activities	
Inmate Refunds on Accounts	<u>(20,337)</u>
Cash Flows From Investing Activities	
Interest Earned	<u>3,254</u>
Net Decrease in Cash and Cash Equivalents	(9,178)
Cash and Cash Equivalents - July 1, 2006	<u>99,714</u>
Cash and Cash Equivalents - June 30, 2007	<u><u>\$ 90,536</u></u>
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities	
Operating Income	\$ 5,551
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities	
Depreciation Expense	<u>2,354</u>
Net Cash Provided By Operating Activities	<u><u>\$ 7,905</u></u>

The accompanying notes are an integral part of the financial statements.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Jessamine County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government.

C. Jessamine County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Jessamine County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Jessamine County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Local Government Economic Assistance Fund - The purpose of this fund is to account for funds received from the state for coal severance taxes. The funds must primarily be used for maintaining the County's road system used by coal trucks.

Emergency Services Fund - The primary purpose of this fund is to account for receipts for the County's ambulance runs and funds received from the state for emergency services.

KACO Annex Fund - The purpose of this fund is to account for receipts from the Administrative Office of the Courts used to offset the County's required payments on its debt related to the Courthouse Annex.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, and Emergency Services Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

The KACO Annex Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest. The KACO Annex Fund is considered a non-major fund.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the County's enterprise fund are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989 unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit and recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the County Treasurer the receipts and disbursements of the Jail Canteen Fund.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Fund Equity (Continued)

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

H. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

I. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization’s governing board. Based on these criteria, the following are considered related organizations of Jessamine County Fiscal Court: North Jessamine Water District and the Jessamine County Public Library.

J. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 3,457,346	\$	\$	\$ 3,457,346
Construction in Progress	988,782	669,434		1,658,216
Total Capital Assets Not Being Depreciated	4,446,128	669,434		5,115,562
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	11,331,513	315,050		11,646,563
Other Equipment	2,080,243	230,937	(147,116)	2,164,064
Vehicles and Equipment	2,530,724	241,075	(22,920)	2,748,879
Infrastructure	44,416,621	787,131		45,203,752
Total Capital Assets Being Depreciated	60,359,101	1,574,193	(170,036)	61,763,258
Less Accumulated Depreciation For:				
Buildings	(1,307,399)	(153,019)		(1,460,418)
Other Equipment	(1,172,805)	(162,022)	104,929	(1,229,898)
Vehicles and Equipment	(1,785,456)	(205,589)	22,420	(1,968,625)
Infrastructure	(11,617,207)	(1,437,687)		(13,054,894)
Total Accumulated Depreciation	(15,882,867)	(1,958,317)	127,349	(17,713,835)
Total Capital Assets, Being Depreciated, Net	44,476,234	(384,124)	(42,687)	44,049,423
Governmental Activities Capital Assets, Net	<u>\$ 48,922,362</u>	<u>\$ 285,310</u>	<u>\$ (42,687)</u>	<u>\$ 49,164,985</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 24,542	\$	\$	\$ 24,542
Less Accumulated Depreciation For:				
Vehicles and Equipment	(9,417)	(2,354)		(11,771)
Business-Type Activities Capital Assets, Net	<u>\$ 15,125</u>	<u>\$ (2,354)</u>	<u>\$</u>	<u>\$ 12,771</u>

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 5. Long-term Debt

A. Courthouse Annex

On July 3, 1997, the Jessamine County Fiscal Court entered into a twenty-year lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$1,700,000 at an assumed interest rate of 4.91% for construction of the Courthouse Annex. Payments of interest and fees are due monthly with an annual principal payment due on January 20.

The Jessamine County Fiscal Court entered into a sublease agreement with the Commonwealth of Kentucky, Administrative Office of the Courts (AOC), in which (AOC) sublet the Courthouse Annex. Under the agreement, AOC agreed to offset the County's commitment through payment of a use allowance for operating and maintaining the project. Lease payments from AOC are deposited into an interest bearing Sinking Fund account. Interest earned on this account reduces the net amount due from the County.

The remaining principal balance on the agreement at June 30, 2007 was \$1,058,000. Annual debt service requirements to maturity for the lease and the AOC lease payments expected to offset the obligation are as follows:

Fiscal Year Ended June 30,	Principal	Interest and Fees	Total Payment	Expected AOC Payments	Net Amount Due From County
2008	\$ 84,000	\$ 60,727	\$ 144,727	\$ 112,600	\$ 32,127
2009	88,000	55,641	143,641	112,600	31,041
2010	92,000	50,351	142,351	112,600	29,751
2011	97,000	45,439	142,439	112,600	29,839
2012	102,000	38,856	140,856	112,600	28,256
2013-2017	595,000	94,212	689,212	563,000	126,212
	<u>\$ 1,058,000</u>	<u>\$ 345,226</u>	<u>\$ 1,403,226</u>	<u>\$ 1,126,000</u>	<u>\$ 277,226</u>

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 6. Joint Ventures

Jessamine County Joint Economic Development Authority

The County along with the City of Nicholasville is a member of the Jessamine County Joint Economic Development Authority, Inc. (the Authority), which is a nonprofit industrial authority created to acquire, retain, develop, and promote land for industrial and commercial purposes. The participants provide annual funding for its operations. During the current year, the County contributed \$50,000 for its operations and debt. The County appoints three members to the Authority's governing board. The ordinance establishing the Authority provides that the members will be responsible for appropriating funds sufficient to finance projects until sales by the Authority are sufficient to cover the cost of the projects.

Nicholasville/Jessamine County Parks and Recreation Board

The County along with the cities of Nicholasville and Wilmore, have created the Nicholasville/Jessamine County Parks and Recreation Board (PRB). The participants provide annual funding for its operations. The County appropriated \$260,000 for operating expenses of the PRB for the year ended June 30, 2007. The PRB's board is composed of five members; two Jessamine County Fiscal Court Magistrates, two Nicholasville City Commissioners, and one City of Wilmore Council Member.

Note 7. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent. Hazardous employees are required to contribute 8 percent of their salary to the plan. The County's contribution rate for the hazardous employees was 28.21 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 8. Insurance

For the fiscal year ended June 30, 2007, Jessamine County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

JESSAMINE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007

JESSAMINE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 791,538	\$ 1,013,164	\$ 1,214,788	\$ 201,624
Miscellaneous			4,994	4,994
Interest	500	500	6,990	6,490
Total Revenues	792,038	1,013,664	1,226,772	213,108
EXPENDITURES				
Roads	1,344,101	1,575,334	1,262,966	312,368
Capital Projects	100,000	100,193	57,300	42,893
Administration	127,363	117,563	57,540	60,023
Total Expenditures	1,571,464	1,793,090	1,377,806	415,284
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(779,426)	(779,426)	(151,034)	628,392
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	725,000	725,000	210,000	(515,000)
Total Other Financing Sources (Uses)	725,000	725,000	210,000	(515,000)
Net Changes in Fund Balances	(54,426)	(54,426)	58,966	113,392
Fund Balances - Beginning	54,426	54,426	60,875	6,449
Fund Balances - Ending	\$	\$	\$ 119,841	\$ 119,841

JESSAMINE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 175,000	\$ 175,000	\$ 179,910	\$ 4,910
Interest	1,000	1,000	8,212	7,212
Total Revenues	176,000	176,000	188,122	12,122
EXPENDITURES				
General Government	50,000	50,000	50,000	
Protection to Persons and Property		700	700	
Recreation and Culture	6,000	106,000	106,000	
Roads	195,000	144,300	80,603	63,697
Capital Projects	75,000	25,000		25,000
Total Expenditures	326,000	326,000	237,303	88,697
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(150,000)	(150,000)	(49,181)	100,819
Net Changes in Fund Balances	(150,000)	(150,000)	(49,181)	100,819
Fund Balances - Beginning	150,000	150,000	208,504	58,504
Fund Balances - Ending	\$	\$	\$ 159,323	\$ 159,323

JESSAMINE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2007

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Honorable William N. Cassity, Jessamine County Judge/Executive
Members of the Jessamine County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund, of Jessamine County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 7, 2008. Jessamine County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jessamine County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jessamine County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Jessamine County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

JESSAMINE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2007**

